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WESTERN EUROPE DIVISION
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

DIVISION WEEKLY

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Included in this issue are special articles on:

1. Prospects for New Non-Communist Italian Labor Federation.
2. Status of the Austrian Treaty Negotiations.

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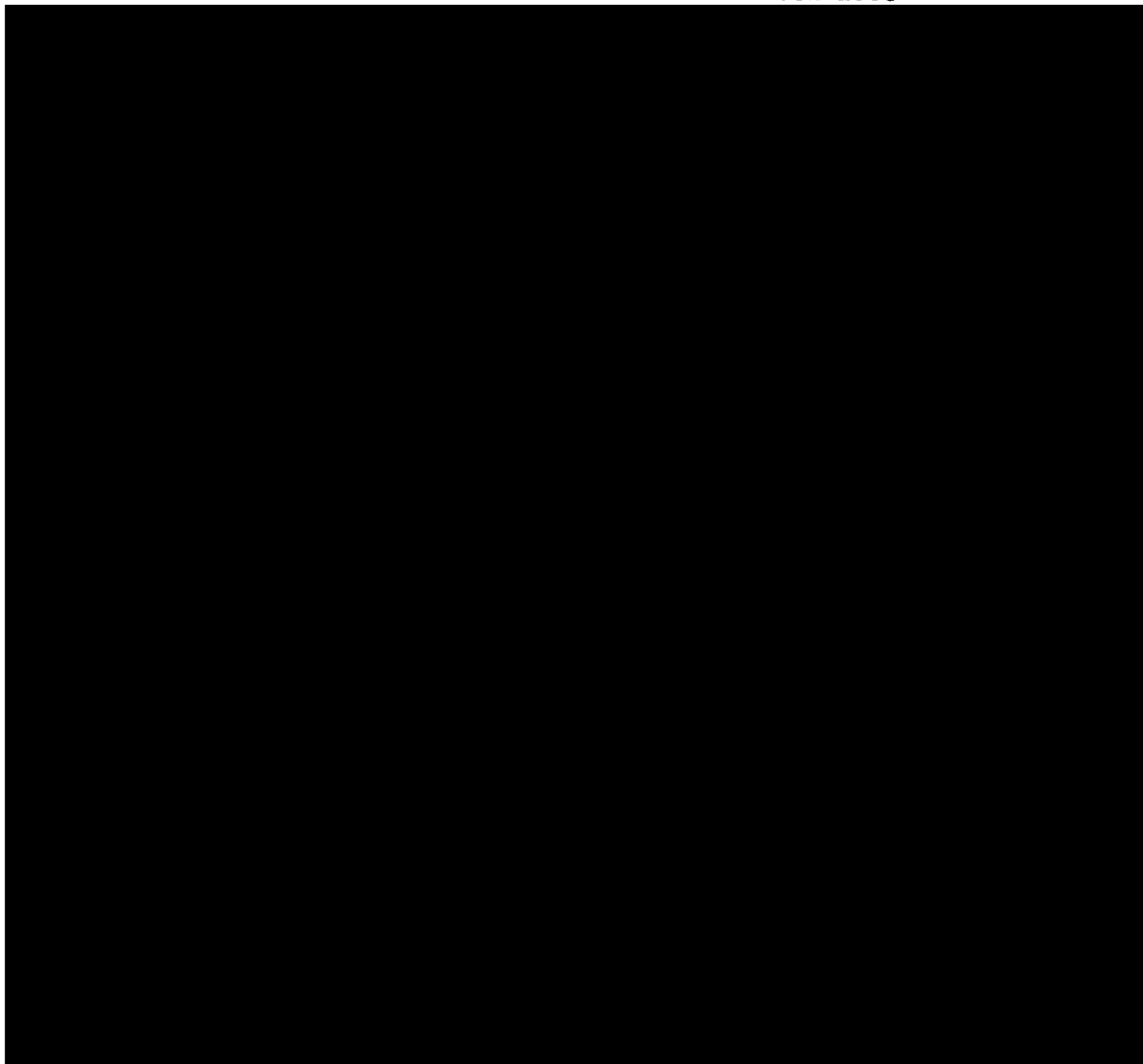
S E C R E T

WESTERN EUROPE DIVISION

WEEKLY SUMMARY

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S E C R E T

25X6A



SWITZERLAND

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Switzerland will probably increase its commercial activities outside Europe, particularly in the Near East. In this area several Swiss-financed industries are scheduled to be established (a large machine tool factory in India is already being constructed), and the recent appointment of Swiss Charges to Lebanon, Syria, and Iraq appear to be predicated on closer commercial ties. This interest in the Near East is the result of an over-all decline in Swiss trade and a need to develop new markets, as well as the desire to invest capital under more favorable conditions than those existing in the controlled, nationalized economies in both western and eastern Europe.

Swiss relations have become particularly difficult with eastern Europe. The Swiss were far from happy with

S E C R E T

their agreements with both Poland and Czechoslovakia on indemnification for Swiss assets nationalized by those countries; the agreements, nevertheless, afford a basis for continuing trade relations. Switzerland has threatened to cut off all exports to Rumania to obtain satisfactory treatment of Swiss citizens in that Soviet Satellite. More recently, the Rumanian Government has said it can no longer allow the Swiss to represent Greek interests in Rumania.

Some Swiss are becoming doubtful of the possibility of "normal" relations with eastern Europe. Since the US break with Bulgaria, they have increased their speculation that all western Europeans may eventually be expelled from the Satellites. This possibility had already been discussed last year when Poland terminated the activities within its borders of the International Red Cross. Relations with Czechoslovakia have not been improved by the mistreatment of Swiss correspondents in Prague, or by the Czech charges of the existence in Switzerland of Western espionage schools.

Even under these unfavorable circumstances, Switzerland will continue to conduct substantial trade with eastern Europe. The extension, however, of trade and investments to non-European areas, especially the Near East, would hold the promise of easier profits for Swiss free enterprise.

FRANCE

A.

The Socialists will support the Bidault Government's anti-sabotage bill and thus enable the Government to win the vote of confidence in the Assembly on this issue. The bill is designed to strengthen the Government's hand in combating Communist efforts to sabotage French rearmament. The Government is hesitant about making arrests under existing laws, which punish sabotage with death. The proposed law would provide for a prison sentence for any Frenchman or foreigner involved in sabotage of war materiel, in the manufacture of defective military equipment, or in the incitement to acts detrimental to army morale.

Debate on the measure has brought bitter opposition from the Communists, while the Socialists have been reluctant to stand with the Government. They fear that labor may regard the measure as a weapon which could be used to suppress its justifiable claims. Now that Bidault has posed the question of confidence on this issue, however, the Socialists' desire

- 4 -

~~S E C R E T~~

S E C R E T

to avoid being identified with anything that smacks of anti-labor legislation will be outweighed by the necessity of giving the Government all possible support in curbing Communist political activities.

A

The sudden wave of strikes for wage increases throughout France is not likely to paralyze the economy, but will increasingly abet the Communists' anti-MDAP campaign. The stabilizing effects of prospective Government measures to regulate the right to strike and set the minimum wage may be completely offset by the current squall of labor unrest.

Major strikes for wage increases have now affected the entire Renault automobile force; they are spreading among the metal workers, and are imminent in the Paris gas and electric industries. The French Communist Party, through the General Confederation of Labor (CGT), is using the strikes for political purposes, under the cloak of economic grievances of the workers. The Party is likely to make exceptional efforts to incite labor unrest at least until the first shipment of MDAP equipment has arrived.

Because of the CGT's political exploitation of labor's grievances, the non-Communist labor unions are in a disadvantageous position. In reply to a resolution voted in the National Assembly in January inviting the Government to renew the 3,000-franc bonus to all employees, Premier Bidault stated that, after the passage of the collective bargaining bill, the Government would not refuse to give relief to the "least favored" workers. Although the Government is likely to make a limited proposal for the payment of a bonus to workers, it probably will not be able to agree internally on concessions sufficient to overcome promptly the current strike threat.

FRENCH AND SPANISH NORTH AND WEST AFRICA

B

A more harmonious working relationship between the Sultan of Morocco and French Resident General Juin may be presaged by recent mutual concessions following a feud of almost three year's duration. In January 1950, French authorities usurped the Sultan's prerogatives by removing and replacing the Pasha (mayor) of Agadir. This high-handed action angered the Sultan and his followers so greatly that the French, fearing repercussions from among the natives, doubled police watches in all coastal cities.

S E C R E T

S E C R E T

Recently, the Resident General reversed his action and restored the mayor. This deference to the Sultan's wishes was an unusual move toward amity and the relief of native tension. Although pressing his advantage to the full in this instance, the Sultan made one concession to the French by finally agreeing to the investiture as Mendoub (Sultan's personal envoy) in Tangier of the notoriously pro-French Si Ahmed Tazi. Tazi has been Acting Mendoub since the death of his father and predecessor in February 1948.

THE NETHERLANDS

B The Dutch will use the first Conference of Dutch-Indonesian Union Ministers, scheduled for 20 March in Indonesia, primarily to establish effective means of maintaining cooperation. The Union machinery, however, will be effective only with an improvement in the close, day-to-day working relationships. The importance the Dutch attach to the forthcoming conference is indicated by the strong Dutch delegation of five Ministers, but important controversial issues probably will be avoided or referred to technical committees to prevent a deadlock at the first of the semi-annual conferences.

No final decision on the future status of New Guinea is expected from the meeting, but a joint committee to explore conflicting Dutch-Indonesian views probably will be established. Although the Netherlands Government and Dutch public opinion seem resigned to the eventual loss of political control over New Guinea, the Indonesians have become suspicious that the Dutch, by their plans for the interim administration of New Guinea, are attempting to consolidate their position there to ensure permanent control. Increasing Australian interest in preventing Indonesian control of Dutch New Guinea indicates that the question may acquire international implications that will complicate the bilateral negotiations.

Various financial and economic problems will be discussed at the conference. To avoid conference disagreement, however, the Indonesian request for a Dutch guilder loan for 1950, the greater part of which will be required to cover Indonesian debt payments due the Netherlands, probably will be discussed prior to the conference. Indonesian sensitivity over Dutch controls and Dutch insistence on guarantees for any assistance granted may make agreement on the terms of a Dutch loan difficult. As in the negotiations which led to Indonesian independence, informal discussions and concessions at a technical

level within the Union will be more useful than high-level negotiations at which final and irreconcilable positions before all compromises have been explored, often cannot be avoided.

ITALY

B Italy's high level of unemployment will be an obstacle to effective Italian participation in OEEC plans for the liberalization of trade and the economic integration of western Europe.

Registered unemployed in Italy number about 1.8 million at present. To these must be added the surplus workers retained on industrial payrolls by political necessity, part-time workers, and others who do not appear on the official registers. Unemployment will then be found to afflict nearly 20% of the total labor force.

This unemployment has increased production costs because of the business taxes required to support the unemployed, and the political necessity of carrying surplus workers. These burdens must be added to the high costs resulting from obsolescent machinery, and the inefficient techniques of many Italian industries; together they place Italian products in a poor competitive position in free trade markets. If trade barriers were progressively relaxed, the resulting sharpened competition would, in the short run, lower Italian sales abroad and cause additional unemployment in Italy, unless at the same time there was a relaxation of restraints on the movement of labor across national boundaries and on emigrant currency remittances. Consequently, Italy will insist upon a modification of restrictions on labor migration as an intrinsic part of any liberalization of trade agreements. For both political and economic reasons, however, other participating countries, notably France, will strongly oppose such mobility for fear of "importing" Italian unemployment.

S E C R E T

SPECIAL ARTICLE

PROSPECTS FOR NEW NON-COMMUNIST ITALIAN LABOR FEDERATION

B The prospects are not bright for the development in Italy of the proposed new non-Communist labor federation into an organization capable of cutting into the membership of the Communist-dominated federation. The Socialist-Republican Italian Federation of Labor (FIL) has recently voted to create such a new organization by uniting with the Christian Democrat-sponsored Free General Confederation of Workers (LCGIL).

Prior to the advent of Fascism, the Italian labor movement was composed of two trade union organizations, one controlled by the Socialists, the other Church-dominated. After being completely submerged in the Fascist corporate state, these organizations were included in the General Confederation of Labor (CGIL), established in 1944. The new Confederation was jointly administered by the labor leaders of the three most important political parties - the Communist, the Socialist, and the Christian Democratic. Even during an initial period of apparently close cooperation in pursuance of labor's aims, tension increased between the Communist and Christian Democratic groups because of the tendency of the Communists, who gradually acquired majority control, to use the CGIL for Party purposes. Especially, the Communists called political strikes to obstruct the economic rehabilitation of the country and discredit the predominantly Christian Democratic Government.

In July 1948, without consulting their Christian Democratic colleagues, the Communist leaders in the CGIL called a nation-wide general strike to protest the attempt on Communist leader Togliatti's life. Under pressure from Catholic Action, the organization of Catholic laymen, the Christian Democratic group seized the opportunity to break away from the CGIL and establish its own organization, the Free General Confederation of Workers (LCGIL).

Despite the growing dissatisfaction of many of the non-Communist workers in the CGIL with the manipulation of the organization for Communist Party purposes, not many of them were attracted to the LCGIL, which was identified with the Christian Democratic Party and the Vatican, and had received initial support from industrialists. For the same reasons, the new federation did not appeal to the great mass of unorganized labor. When, in May 1949, the workers

S E C R E T

SECRET

representing the Republican and Saragat-led Socialist Workers' (PSLI) parties decided to leave the CGIL--impelled by general discontent, the pressure of US labor groups, and Communist assaults on PSLI members--they did not join the LCGIL, but formed the Italian Federation of Labor (FIL). At the same time, increasing numbers of workers were leaving the CGIL, but, disillusioned with the labor movement, were unwilling to join other organizations.

Attempts by leaders of the LCGIL and FIL to unite the two federations have, according to reports, met with opposition from a substantial part of the FIL rank and file, which fears absorption by the larger Christian Democratic organization. Leaders of the Republican and Socialist parties also oppose unification, believing that the FIL will be able to expand its membership and build its prestige only by remaining aloof from a group with strong Government and Church attachments.

A unified federation composed of the LCGIL and FIL would be able to look for members among: (1) workers who have left the CGIL but have not joined other organizations; (2) the Nenni Socialists still in the CGIL who are becoming increasingly resentful of Communist domination; (3) the fourteen independent unions, and (4) the great mass of unorganized workers, numbering about eight million, compared to about three million in the CGIL, 1.2 million in the LCGIL, and 150,000 in the FIL.

The proposed federation would have little success in attracting members from these groups, unless it could persuade workers that it could improve their economic status, and also demonstrate its independence, primarily of the Government, but also of the Church, and, in the eyes of upper-level labor leaders, of political parties. The LCGIL leaders have recently exhibited their realization of the necessity of independence from the Government by the strong position they have taken against the Government in labor matters.

The situation in Italy, however, is unfavorable for the attainment by labor of marked economic gains. The replacement of the progressive Labor Minister, Fanfani, by Achille Marazza, former Under Secretary to Interior Minister Scelba, indicates the increasing domination of the Government by conservative Christian Democratic elements. The Government has already shown a reluctance to intervene in labor-management disputes, and there are reports that LCGIL leaders have complained that the Government's restraint is inspired by the desire to see strikes fail.

SECRET

The Government's attitude, along with the evident weakening of Communist influence over labor, has encouraged employers to offer greater resistance to labor's demands. Furthermore, the high level of unemployment makes it easy for employers to recruit strike-breakers.

In the face of these obstacles, it takes a rough-and-ready labor organization to chalk up accomplishments. The rational approach of the non-Communist unions makes many workers hesitant about leaving the more aggressive CGIL, which they feel is their only effective champion.

Nevertheless, the LCGIL and FIL have on several occasions beaten the CGIL to the punch by calling economic strikes and winning a few benefits for workers. The non-Communist unions have also firmly opposed the CGIL in the matter of the MDAP, and have pledged a large segment of the port workers to handle the shipments.

A unified non-Communist federation, however, would have to prove its ability to do even more for the workers, or it would have slim chances of becoming strong.

SPECIAL ARTICLE

STATUS OF THE AUSTRIAN TREATY NEGOTIATIONS

Austrian Foreign Minister Gruber will continue to seek ways to break the four-power impasse on the Austrian treaty, even though he is growing more convinced that the USSR will not agree to a treaty at this time. Negotiations have narrowed down disagreement to just four articles, including those on: (1) displaced persons (Art. 16), (2) the hiring by Austria of foreign technicians to assist in the production and maintenance of war material (Art. 27), (3) restoration by Austria of the prewar rights and property interests of nationals of UN countries (Art. 42), and (4) Austria's prewar and postwar debts (Art. 48).

Settlement of the last two is being held up as a result of the procedure instituted last August by which Austria began negotiating bilaterally with the USSR on Austrian debts incurred since May 1945. (The US, UK, and France have waived their postwar claims on Austria.) These bilateral negotiations, which received the blessing of the Western Powers, reached an advanced stage last December, when Austria submitted to the USSR a revised proposal for settlement. Since then, the USSR has been "studying" the proposal, without giving any hint as to whether it is acceptable.

The USSR holds that until the bilateral negotiations are concluded, it would find it difficult to discuss that part of Art. 48 concerned with Austria's prewar debts, or the restoration by Austria of property rights. These two articles are thus removed from quadripartite discussion. At the last meeting of the deputies, the Soviet delegate reiterated his suggestion that the deputies examine instead the articles concerning displaced persons and foreign technicians, although the USSR has given no evidence of a willingness to change its stand on these matters.

The Western Powers are opposed to reviewing only these two articles. They take the view that all the remaining disputed parts of the treaty must be discussed together, as consideration of them all is necessary to the conclusion of the treaty, and the Western position on one article might be affected by what is done with the others. The Western Powers, wanting to get on with the general treaty review by the deputies, have pressed the USSR to report on the status of the Austro-Soviet financial talks, but to no avail.

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Gruber, however, wants the Western Powers to do everything possible to "isolate" the Austro-Soviet bilateral negotiations as the only block on the road to a treaty. In this way, Gruber believes that Soviet responsibility for the treaty deadlock could be made crystal clear to the Austrian people. Gruber would like the West to discuss the two articles the USSR is presently willing to examine, and even accept the Soviet text, believing that Western ends could be achieved by separate agreements with Austria outside the treaty.

Recent meetings of the deputies have made at least one thing clear -- that the USSR is unwilling to be responsible for a breakdown of the treaty talks. Furthermore, the Soviet Union appears to be trying to exploit the refusal of the Western Powers to discuss two of the disputed articles. Even if these were settled, the USSR could still delay an Austrian treaty by protracting the bilateral negotiations with Austria, or, if this method was felt to be too transparent, by using some such excuse as the charge of "resurgent Nazism" in Austria. Meanwhile, the Soviet deputy, in giving his consent to the Western suggestion of 26 April as the date of the next deputies' meeting, did so only after pointing out the long delay represented in the selection of this date.

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